

# AFRICAN BANK

## Tax Update

Focused Investing

STANLIB

23 July 2015

## African Bank Update: Tax Implications

Dear financial adviser,

As Tax Season 2015 is now open, we would like to keep you informed about how tax is calculated on your African Bank retention funds or “side pockets”.

When African Bank was placed under curatorship in August last year, the South African Reserve Bank announced that senior fixed interest investment holders would take a 10% “haircut”. So for instance, if your fund had R100 invested in an African Bank senior fixed interest instrument, it was written down to R90. The R90 invested in African Bank was then transferred into a “side pocket” or retention fund.

This has two tax implications.

### Impact on STANLIB Money Market Fund

- The haircut

The value of the senior fixed interest investment in African Bank dropped on 8 August 2014 when the 10% “haircut” came into effect. Money Markets are consistently priced at R1 per unit; so when the haircut took place, each unit held by an investor was reduced by 0.16%. For tax purposes, this unit reduction is reflected as a capital loss on your IT3C.

- The transfer to the retention fund

The African Bank Fixed Instruments were then transferred to the STANLIB Money Market Retention Fund. This switch attracted no Capital Gains Tax.

### Impact on STANLIB’s other income funds (including the STANLIB Extra Income Fund)

The value of the senior fixed interest investment in African Bank dropped on 8 August 2014 when the 10% “haircut” came into effect. Junior Fixed instruments were written down to zero. The impact of this event was a reduction in the unit price and is not a tax event for the fund or investor.



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The African Bank Fixed Interest instruments in the Income Funds were transferred to a retention fund. This is a Capital Gains Tax event and is reflected on your IT3(c) as a gain or a loss. This profit or loss is determined by the base cost of your investment in the income fund and the value placed on the switch transaction of the ABIL Fixed Interest Instruments in the retention Funds. The base cost is the average cost for tax purposes of your investment. The value placed on the switch transaction is the market value of your units at the time of the transaction. The difference between these two values will result in either a profit or a loss.

We assure you that we remain committed to your investment with STANLIB. Should you have any further questions or require additional information, please contact your financial adviser or refer to the STANLIB website, [www.stanlib.com](http://www.stanlib.com).

Regards,

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STANLIB Retail: Managing Director